

Policy Option: Automating the prescription drug prior authorization system

Description: Provide funding for an automated pharmacy Prior Authorization (PA) system as an FY 2009 enhancement.

Description: Kansas Medicaid currently operates a manual Prior Authorization (PA) system for pharmaceuticals, which requires a review of certain prescription drugs by a trained health provider before the pharmaceutical is authorized. All PA requests in the Kansas Medicaid program are currently submitted by mail or fax and simple requests are reviewed by nurses. A pharmacist is used for reviews that fall outside of the established criteria. The criteria for approving the PA requests easily could be programmed into an electronic system, thereby offering the potential for greater efficiency to the Medicaid program. With nearly 6,000 PA requests annually and approximately 80.0 percent of PA requests being approved, clinical pharmacists and other quality assurance personnel could spend their time more productively in managing other aspects of the Medicaid drug program. Additionally, electronic clinical and fiscal editing would allow Medicaid to expand the number of claims that are reviewed through the system without an undue administrative burden on providers or the state.

Background: This option would allow Kansas Medicaid to secure a contract with a vendor to develop a statewide automated prior authorization system that could be accessed at the point of care by pharmacists. Efficiencies gained through this technology could then be used to increase control over medication use and costs and enhance the cost-effective use of medications.

Automated PA programs intercept inappropriate claims during the point of sale transaction, while allowing claims that meet evidence-based guidelines to be paid and filled. A sophisticated automated electronic clinical and fiscal editing program will be integrated into the existing MMIS system. The system queries patients' medical and pharmacy claims history in real time to determine the appropriateness of therapies based on established best practices criteria. Pharmacists will receive real time notification, generally within seconds, of PA denials or requirements for additional information allowing them to select more appropriate therapy at the point of care.

Population Served: This option would be implemented statewide and would affect the entire Medicaid and HealthWave population.

Cost Estimate:

Contract Costs			
	SGF	Other Funds	Total
Automated PA System	187,500	562,500	\$750,000
EDS (MMIS changes)	18,750	56,250	\$75,000
Subtotal	206,250	618,750	\$825,000

Considerations: This is an estimate of the cost of contracting for an automated prior authorization system that pharmacists can access.

A proposal for this system was submitted in the form of a Transformation Grant and we will be notified of any subsequent grant award in September of 2007.

Staff Recommendation: Staff recommends including funding for an automated PA system as an FY 2009 enhancement. If the Medicaid Transformation Grant is awarded, the request should be modified to replace the State General Fund request to use the grant funds.

Board Action: On August 20, the KHPA Board directed staff to describe the one time and on going operational costs of implementing an automated PA system.

The initial implementation cost for the automated PA system is \$825,000. The cost for maintenance of the prior authorization system is approximately \$600,000 per year All Funds. The software system is not purchased by the state but rather leased and the cost for subsequent years includes the on-going leasing price plus any updates or modifications. The state currently pays our fiscal agent the salary and benefits for four registered nurses to perform this function. Eventually most of those positions would be phased out and the funding used to support the automated prior authorization system.

Final Board Action: